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September 26, 2002

RECEIVED

SEP 26 2002

Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth St., S.W.
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

**Re: Petition of the Palau National Communications Corp.;
Federal-State Joint Board on Universal Service, CC
Docket No. 96-45**

Dear Ms. Dortch:

On behalf of the Palau National Communications Corp. ("PNCC"), I am enclosing for the record in the above-captioned proceeding a copy of a letter dated Sept. 20, 2002 from James A. Kelly, Assistant Secretary of State for East Asian and Pacific Affairs, to Chairman Michael Powell. The letter expresses the U.S. Department of State's support for the relief sought in PNCC's petition "as a means of securing our economic and strategic interests in Palau," and in light of the "unique relationship between the United States and Palau and our political, economic and strategic interests in Palau."

Please contact me if you have any questions.

Respectfully submitted,

David Sieradzki

David L. Sieradzki
Counsel for the Palau National
Communications Corp.

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Enclosures

cc: Bryan Tramont, Senior Legal Advisor to Chairman Powell
Christopher Libertelli, Legal Advisor to Chairman Powell
Sharon Webber, Deputy Chief, Telecommunications Access Policy Division,
Wireline Competition Bureau
Claudia Fox, Deputy Chief, Policy Division, International Bureau



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United States Department of State

*Assistant Secretary of State
for East Asian and Pacific Affairs*

Washington, D.C. 20520

SEP 20 2002

Dear Chairman Powell:

I am writing in regard to the petition submitted to the Federal Communications Commission (FCC) by the Palau National Communications Corporation (PNCC) for inclusion within the National Exchange Carriers Association (NECA). I understand the Commission staff is examining actively PNCC's petition and have been in regular contact with the Department of State.

The Department of State takes no position on the legal issues associated with the Federal Communications Act of 1934, as amended, and the jurisdiction that act may provide the FCC over telecommunications services in Palau or the other Freely Associated States.

I, however, urge you and your colleagues at the FCC to take into consideration the unique relationship between the United States and Palau and our political, economic and strategic interests in Palau. Palau was liberated by the United States from Japanese control in World War II and was administered by the U.S. as part of the Trust Territory of the Pacific Islands under a United Nations mandate from 1948 to 1994. In that latter year, Palau became an independent country linked to the United States by a Compact of Free Association, a status Palau shares with the Republic of the Marshall Islands and the Federated States of Micronesia. Under the Compact, the Palau granted the U.S. certain defense rights and the U.S. assumed responsibility for Palau's defense and security. The United States also provided Palau with important financial

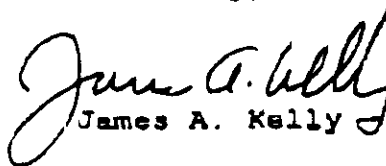
The Honorable
Michael Powell, Chairman,
Federal Communications Commission,
Washington, D.C.

and economic assistance and extended many domestic Federal programs to Palau. These programs are not available outside the United States except in the three Freely Associated States.

The Compact with Palau, as ratified by the U.S. Congress, recognizes and codifies in U.S. law American economic and strategic interests in Palau. An important part of U.S. interests in Palau is ensuring the country's economic stability and promoting its development. Quality international telecommunications facilities are a fundamental necessity, given Palau's geographic isolation from the United States and other major economic centers. The United States worked closely with Palau in developing PNCC's facilities and financing their construction through a U.S. Department of Agriculture loan. The USG provided this substantial assistance toward in the establishment of Palau's telecommunications recognizing that economic development and self-sufficiency -- two of the Compact's principal objectives, along with securing American strategic interests -- would not be possible without an effective telecommunications system.

The Government of Palau and PNCC believe that NECA membership is the only viable option for meeting Palau's future telecommunications needs. The Department of State supports Palau's pursuit of NECA membership as a means of securing our economic and strategic interests in Palau. As the FCC weighs the legal and regulatory issues involved in PNCC's petition, I hope you can consider these interests as well.

Sincerely,


James A. Kelly